



BRIEFING: APRIL 10, 2014 BOARD MEETING AGENDA ITEM #5

TO: Chairman Richard and Board Members

FROM: Jeff Morales, Chief Executive Officer

DATE: April 2, 2014

RE: Approval of the Final 2014 Business Plan

Background

The California High-Speed Rail Authority is required by Public Utilities Code Section 185033 to prepare, publish, adopt, and submit an updated Business Plan to the Legislature on May 1, 2014. Statute also dictates that, at least 60 days prior to submittal to the Legislature, the Authority must publish a draft Business Plan for public review and comment. The Budget Act of 2013 (SB 1029) added several additional requirements for the 2014 Business Plan. Staff prepared and released a Draft 2014 Business Plan on February 7, 2014. This was accompanied by a press release to notify media outlets of the Plan's release as well as instructions on how to comment on the Plan. The Draft 2014 Business Plan was also placed on the front page of the Authority's website.

Subsequently at the February 11, 2014 and March 11, 2014 Board meetings, staff made presentations regarding the Draft 2014 Business Plan. Comments were solicited and received through letters, the website, and during the open public comment periods of both the February and March meetings, consistent with legal requirements for public hearing and comment featured in Public Utilities Code Section 185033. While many comments were supportive of the program and the Draft 2014 Business Plan, there were also criticisms that have informed the staff recommended revisions for the Board's consideration in developing a final 2014 Business Plan.

As of the writing of this Board Memo and attachments, the 60-day comment period remains open. This Memo and the attachments to it will be updated to incorporate any additional comments received between now and the close of the comment period on April 8. Additionally, comments postmarked by April 8 but received after the Board meeting will be shared with the Board and considered in making final changes to the 2014 Business Plan for submittal to the Legislature.

The comments that have been received to date have informed the items on the Errata Sheet and the other changes that the staff will recommend for incorporation in the final 2014 Business Plan. The Errata Sheet is presented as an attachment to this Board Memo while the other suggested

edits in response to public comments will be presented after the close of the comment period. Upon adoption by the Board, the Business Plan will be revised and submitted to the Legislature by May 1, 2014.

Discussion

In November 2011 the Authority released a Draft 2012 Business Plan. After an extended public comment period, the Authority made a number of changes to the plan and in April 2012 released a Revised 2012 Business Plan. This 2012 Plan included a new phased and blended implementation strategy, which reduced capital costs, lessened impacts on communities, and laid out a strategy for a modernized statewide rail network designed to deliver immediate benefits associated with more connected and efficient rail networks. The 2012 Business Plan ultimately served as the basis for the Legislature's appropriation for the high-speed rail program contained in SB 1029.

The changes made between the Draft and Revised 2012 Business Plans were based on a strategy that delivers the overall program while maintaining the flexibility to consistently look for ways to improve the plans for its implementation. This strategy continues to be at the cornerstone of how the Authority makes decisions and conducts its business. This sort of flexibility in program delivery was specifically called out in a Senate Transportation Committee hearing on megaprojects in November, 2013 as an integral component for successful delivery of megaprojects.

As discussed in the Board memo accompanying Agenda Item #5 of the February Board meeting, the Draft 2014 Business Plan builds on and updates the 2012 Business Plan while addressing the new requirements established in SB 1029. It includes a report on progress made with implementing the statewide rail modernization program, in collaboration with federal, state, regional, and local partners over the last two years, while also highlighting the milestones that lie ahead.

The Draft 2014 Business Plan includes updated cost estimates as well as ridership and revenue forecasts – all of which have been informed by and improved upon through rigorous scrutiny and review by a range of external and academic experts. These new forecasts serve as the basis for an updated financial analysis, which continues to show that the program is financially viable and, in turn, confirms that the private sector will regard this as an attractive investment opportunity.

Following the recommendations offered by the Legislative Peer Review Group and the United States Government Accountability Office (GAO), the Authority applied an analytic technique designed to quantify and better understand the risks associated with its forecasts, which is described in the Draft 2014 Business Plan. An updated analysis of the economic impacts of the system, informed by GAO recommendations, has also been incorporated. Lastly, a summary of potential risks and the processes the Authority uses to monitor, mitigate, and manage those risks has been updated.

Since its release, staff has proceeded to solicit and document comments on the Draft 2014 Business Plan from stakeholders, other governmental agencies, and the public. The Board took comments at its February and March meetings and will take comments at this (April) Board meeting. The public has also been able to submit comments [by mail and email] and through the

Authority's website. As of April 1, over 120 comments have been received. All of these comments are included as an attachment and a summary of the comments has been prepared for the Board. In addition, the Authority has engaged in a wide range of meetings with stakeholders and received comment and feedback from those discussions as well.

The comments received to date address a variety of topics. One particular area of interest from many commenters was the Bookend and Connectivity projects, which are bringing early benefits to communities across the state. Many of the Bookend and Connectivity projects are described on the Authority's High-Speed Rail Connectivity and Bookends Fact Sheet available which is available at <http://www.hsr.ca.gov/docs/newsroom/fact%20sheets/High-Speed%20Rail%20Connectivity%20and%20Bookends.pdf>.

There was also specific interest in the Southern California Regional Interconnector Project (SCRIP), which will build run-through tracks at Los Angeles Union Station and the Transbay Transit Center and Downtown Extension of Caltrain, which will provide access to downtown San Francisco for both high-speed rail trains and Caltrain. These projects are some of the critical investments being made today that will enhance regional transit systems early on and eventually improve connections to, or be part of, the statewide high-speed rail network.

Additionally, based on numerous discussions and conversations, including the Legislature, the California Public Utilities Commission and the California Office of Technology Services, the Authority has been evaluating the potential for the utilization of the 500-mile contiguous high-speed rail right-of-way (ROW) from the Bay Area to Southern California for cabling pathways and structures including antennas and other equipment. Other opportunities including those with the private sector may be considered at a later date as the project moves forward.

Also, based on written comments and discussions with stakeholders to date, staff has identified a number of areas where additional information would address questions and provide greater clarity. Staff is preparing edits to address these questions and comments. These will be provided to the Board and posted on the website prior to the April 10 Board meeting. Some of these include:

- Providing greater clarity on the definition of a "usable segment" and how that relates to the Initial Operating Section (IOS) currently identified in the Business Plan
- Clarification of the implementation of a one-seat ride to the Transbay Transit Center in downtown San Francisco as part of the Bay to Basin phase
- More information on the range of benefits that the IOS will provide to the disadvantaged communities in the Central Valley, which is proposed to be funded in part with Cap & Trade funds
- Discussion of how the Authority will continue to seek ways to both deliver a high quality system and reduce costs through ongoing value engineering and best value assessments
- More specifics regarding how the Authority will manage and mitigate grade crossing risks in the corridors where blended service will operate

Recommendations

Adopt the 2014 Business Plan incorporating the edits from the Errata Sheet and the other changes that the staff will recommend based on the public comments. Authorize the Chief Executive Officer, or his designee, to make further revisions to the 2014 Business Plan based on direction from the Board in response to any public comments received at the April 10 Board meeting and/or submitted to the Authority since the release of this memo and its attachments.

Attachments

- Draft 2014 Business Plan Board Resolution #14-08
- Draft 2014 Business Plan Errata Sheet
- Draft 2014 Business Plan Comment Summary Dashboard
- Draft 2014 Business Plan Comments